

AFRICA RISK CONSULTING**Angola Monthly Briefing March 2018****Angola Summary 28 March 2018**

Former President Jose Eduardo dos Santos (1979-2017) is attempting to extend his political life in Angola as head of the ruling Movimento Popular de Libertação de Angola (MPLA), while the MPLA attempts to unseat him as soon as possible. His son Zenu dos Santos is arrested for a major international fraud, together with the ex-head of the Banco Nacional de Angola and others. Isabel dos Santos is investigated for possible illicit transfer of funds from state-owned Sociedade Nacional de Combustíveis de Angola EP (Sonangol). Sonangol announces a \$10 billion funding injection from the state but the parastatal's situation is still difficult and there is as yet no news on a planned restructuring and new oil law.

Jose Eduardo dos Santos bids to remain as head of MPLA

A nine-hour long meeting of the **Comité Central do Movimento Popular de Libertação de Angola (MPLA)** (central committee of the MPLA) on 16 March failed to resolve whether former president **Jose Eduardo dos Santos** (1979-2017) would surrender his position as party leader.¹ Dos Santos is currently president of the ruling MPLA after stepping down as president of **Angola** last year. There is now a tense political situation within the party, which, unusually for the MPLA, is being played out publicly in **Luanda**.² Prior to the September 2017 elections, dos Santos had announced he would retire from political life in 2018, but instead, during the central committee meeting, he said he proposed holding an extraordinary congress to “resolve” the issue of MPLA leadership in December 2018 or April 2019, without committing himself to retirement.³ The central committee rejected this, as it wants dos Santos to withdraw from political life as early as June this year. MPLA information secretary **Norberto Garcia** stated that the MPLA should finalise the date for the extraordinary congress in April or May, following meetings of its **Bureau Politico** (political bureau) and central committee.⁴

Since the 16 March meeting in particular, issues around the retirement of dos Santos have been prominent in the Angolan media with both sides putting their views and splits in the MPLA emerging into public view. Adherents of dos Santos, “*Eduardistas*”, have proposed that “*bicephaly*” should be the way forward for the MPLA, and that the current position should continue, where the president is head of State and the MPLA has a separate head, with the implication that this head should remain dos Santos.⁵ Among the many MPLA figures speaking out against this proposal, two major players have made their opinions felt; the senior and well-respected MPLA figure **Santana André Pitra "Petroff"** asked for the “*urgent transfer of power to [President] João [Manuel Gonçalves] Lourenço [2017-present]*” adding

¹ Jornal De Angola, 17 Mar 2018

² Jornal De Angola, 17 Mar 2018

³ Jornal De Angola, 17 Mar 2018

⁴ Jornal De Angola, 17 Mar 2018

⁵ Jornal De Angola, 17 Mar 2018

that *"bicephaly is harmful to the MPLA, because times have changed."*⁶ **Carlos Maria Feijó**, previously senior lawyer to the dos Santos regime, has also put his weight behind João Lourenço, saying that the notion of bicephaly is harmful to Angola.⁷

Dos Santos' successor as Angola's president and current vice-chairman of the MPLA, João Lourenço, is playing down the divisions.

*"I encourage the militants, friends and sympathisers of the party not to get carried away by this alleged division between supposed 'Eduardistas' and 'Lourencistas'."*⁸

Lourenço has made it plain that he expects dos Santos to retire sooner rather than later. In January, Lourenço held a press conference in which he informed the media that he had sent a note to dos Santos, inviting him to put forward a date for retirement. Lourenço said, *"It is up to him to say whether he will do it, whether he will fulfil that commitment."*⁹

A Luanda-based columnist told ARC:

"On the surface, Lourenço and dos Santos try to pretend that they are getting on. There was a kind of truce between the dos Santos clan and Lourenço."

However the source did not believe this would continue.

"From reports from insiders, Lourenço is biding his time and then he is going to undermine dos Santos."

The truce has now definitively ended. The next three months will be decisive for João Lourenço's consolidation of power in Angola and his attempts to root out major corruption linked to the Dos Santos family and its key adherents and beneficiaries.

Zenu Dos Santos and Valter Filipe accused of fraud by Attorney General's office.

The **Procurador Geral De Angola (PGA)** (attorney general of Angola) has accused **José Filomeno de Sousa dos Santos (Zenu)**, son of former president **Jose Eduardo Dos Santos**, and former chairman of the Board of Directors of the **Fundo Soberano de Angola (FSDEA)** (sovereign wealth fund of Angola) as a suspect in crimes of fraud, embezzlement, criminal association, influence peddling and money laundering.¹⁰ Zenu dos Santos said in a press statement that he *"voluntarily took the initiative to contact"* the Procurador Geral on 27 February and 5 March of this year to *"collaborate in the discovery of the truth"*.¹¹ He acknowledged that he was charged on 6 March and was co-operating with the **Direcção Nacional de Investigação e Acção Penal (DNIAP)** (national directorate of investigation and criminal action), having surrendered his passport.¹²

Deputy attorney-general and DNIAP director **Luís Ferreira Benza Zanga** announced the charges at a press conference in Luanda on 26 March, where he named the others charged over the alleged fraudulent transfer of \$500m to the **United Kingdom (UK)** in September 2017.¹³

"In the case involving the son of the former President of the Republic, José Eduardo dos

⁶ Jornal de Angola 18 Mar 2018

⁷ Club-k.net, 20 Jan 2018

⁸ Jornal de Angola 18 Mar 2018

⁹ <https://www.voaportugues.com/a/lourenco-conferencia-de-imprensa-jose-eduardo-dos-santos/4197798.html>

¹⁰ Jornal De Angola 27 Mar 2018

¹¹ Jornal De Angola 28 Mar 2018

¹² Jornal De Angola 28 Mar 2018

¹³ Jornal De Angola 27 Mar 2018

*Santos, are also included citizens **Jorge Sebastião, Valter Filipe Duarte da Silva** [former governor of the **Banco Nacional De Angola, BNA**], **António Samalia Bule Manuel** and **João Domingos dos Santos Ebo**. [Naming them] as defendants derives from the fact that there had been the illegal transfer of 500 million dollars from Angola to abroad, consubstantiated in the crime of fraud and embezzlement.”¹⁴*

All the accused have had their passports removed and are banned from leaving Angola. António Samalia Bule Manuel and João Domingos dos Santos Ebo are both officials of the BNA, which was headed at the time by Valter Filipe.¹⁵ Filipe was allegedly charged on 15 March, when he was interviewed by the attorney-general.¹⁶

The charges follow the interception by the UK’s **National Crime Agency** of a \$500m transfer made by the BNA in September 2017.¹⁷ The money was intercepted in the UK in December 2017 and January 2018, using new provisions within the **Criminal Finances Act 2017** that led to discovery of the crimes.¹⁸ The money was initially alleged to have been transferred to a **Credit Suisse** account in **London**, but Credit Suisse said that the documents were forgeries and there was no movement of capital.¹⁹ Instead the money was paid into a corporate account at **HSBC** in London, which holds no accounts for Zenu dos Santos, and reportedly warned the British authorities of the transfer through a suspicious activity report.²⁰

Angola charged the accused parties a week after the UK National Crime Agency stated that it had unfrozen the \$500m saying.

“The necessary authority has now been provided for the monies to be returned to the Angolan Authorities.”²¹

The fraud was first reported by journalist and political activist **Rafael Marques** in January 2018, when he alleged that Zenu and his close associate and fellow accused, Jorge Gaudens Pontes Sebastião, were partners in the attempted fraud, which on the face of it aimed to raise money for loans to the government of Angola, then headed by Zenu’s father, Jose Eduardo dos Santos, and through which the business partners aimed to profit.²² There is as yet no clarity on how the BNA became involved or agreed to transfer \$500m to this group.

This is the largest and highest profile arrest in Angola in recent months, where several high-ranking officials have been arrested for criminal activities. The PGA made it clear there will be no immunity and the case will not be dropped. For President Lourenço, the case demonstrates the new commitment to reducing corruption in Angola, the increasing transparency of the regime and a determination to remove the dos Santos clique from power and economic control.

State rescue for Sonangol’s debt, but major problems remain

Carlos Saturnino, chair of state-owned **Sociedade Nacional de Combustíveis de Angola EP (Sonangol)** announced that Sonangol’s net debt has fallen to \$4.894 billion, “following the state’s injection of \$10 billion in 2017, which provoked the miracle of reducing Sonangol’s

¹⁴ Luís Ferreira Benza Zanga quoted in Jornal De Angola, 27 Mar 2018

¹⁵ Jornal De Angola, 27 Mar 2018

¹⁶ Jornal De Angola, 16 Mar 2018

¹⁷ Financial Times, 27 Mar 2018

¹⁸ Reuters, 19 Mar 2017

¹⁹ Financial Times, 27 Mar 2018

²⁰ Financial Times, 27 Mar 2018

²¹ Reuters, 19 Mar 2017

²² Maka Angola, 30 Jan 2018

*debt.*²³ Saturnino commented that \$5 billion was used for early debt settlement, and \$4 billion for various payments and other investments.²⁴ Preliminary data from the current audit that **KPMG** is carrying out indicated that Sonangol has a cash reserve of \$292m. Performance indicators show that from 2015 to 2017, Sonangol's turnover in the first year was \$17 billion, with a net profit of \$346m. In 2016 it was \$14 billion, with a lowest-ever profit of \$80m, and in 2017 revenue was \$15 billion, with provisional profits of \$224m.²⁵ The data is tentative, while the audit continues.²⁶

Despite the rescue, major problems remain. The director of a Luanda-based oil services company told ARC:

*"Sonangol is struggling with the financial issues. It has big debts with other companies. On the daily menu are forex and liquidity problems, and Sonangol is still struggling. There is a very simple reason – compliance with the international financial system. Angola doesn't have appropriate policies to follow financial rules so they were banned from financial markets. The impact is that they can't pay their debts."*²⁷

The issues go beyond the financial. A senior oil source in Luanda noted that:

*"Sonangol has very basic and fundamental issues to resolve. There is a serious lack of strategic vision [as well as] problems with the budgeting."*²⁸

Sonangol is to be restructured and a new oil law is expected to be passed, but there is no date for this as yet. The oil ministry was expected to present the proposals to revise the 2004 Law on Petroleum Activities, to be prepared by an ad-hoc committee composed of Sonangol representatives.²⁹ A new draft oil law to stimulate investment and production, in particular in **Block 48**, is the only legal change noted to date.³⁰

Sources in Luanda confirmed that restructuring would take place but it has yet to be decided which model would be adopted. An oil source in Luanda says:

"Sonangol will be restructured, more for policy, anti-corruption, [to be] open [and] communicative. The change is a process."

The models proposed to date are reportedly the proposals that former Sonangol chair **Isabel dos Santos'** teams made in 2017, that Sonangol sell its subsidiaries and become purely an oil concessionaire, with no involvement in oil production. A Sonangol source has now suggested that Sonangol will fragment into its parts and a national oil agency will take on the concessionaire's oil functions:

"The most likely outcome in my opinion is that it will be fragmented to give space to a national agency for oil."

Isabel dos Santos' legacy remains problematic for Sonangol in other respects. In December 2017, it was widely reported that Sonangol had opened an internal commission of inquiry into possible misappropriation of funds by Isabel dos Santos (see *ARC Briefing Angola*

²³ Jornal De Angola, 1 Mar 2018

²⁴ Jornal De Angola, 1 Mar 2018

²⁵ Jornal De Angola 1 Mar 2018

²⁶ Jornal De Angola 1 Mar 2018

²⁷ Source interview, Luanda, Feb 2018

²⁸ Source interview, Luanda, Jan 2018

²⁹ Jornal De Angola "Sonangol e os seus parceiros rentabilizam navios-sondas", 3 Mar 2017

³⁰ www.angop.ao, Nov 2017

January 2018).³¹ The allegations have now been referred to the PGA following public statements by Saturnino.³² Saturnino alleged that the administration of Isabel dos Santos made a transfer of \$38m after her dismissal as chair of Sonangol in November 2017.³³ According to Saturnino, the money, transferred through **Banco BIC**, went to a company in **Dubai, Matter Business Solutions DMCC**, which Angolan journalist and political activist Rafael Marques alleges has Isabel dos Santos as a beneficiary.³⁴ Isabel dos Santos denies any wrongdoing in relation to the transfer and says this was a legitimate payment that was scheduled while she was still in office.³⁵

Sonangol's future shape remains uncertain at present but its financial problems, which threatened to sink the parastatals, have been reduced. Proposals to abolish Sonangol altogether may seem far-fetched but Sonangol under Vicente became a company that was both oil concessionaire and producer, and a vehicle for elite interests, and expensive. A solution needs to be found and a new oil law restructuring Sonangol and the sector is expected within months. Angola is seeking more foreign investment in the sector, for sorely needed increases in oil production in the longer term, and the outcome is likely to be more investor friendly.

Planner

Jul 2018 **Luanda (Angola)** *Press Release*. The **Feira Internacional de Angola** (international fair of Luanda) begins;

14 Jun 2018 **Luanda (Angola)** *Press Release*. The **Africa Oil & Gas Local Content Conference & Exhibition** conference begins;

Chronology

27 March 2018 **SME (Angola)** *Jornal de Angola* Angola begins visa on arrival scheme on 30 March for 61 countries;

27 March 2018 **MPLA (Angola)** *Jornal de Angola* Attorney General publicises fraud charges against **Zenu dos Santos, Valter Filipe** and 3 others;

22 March 2018 **World Bank (Angola)** *Jornal de Angola* Reforms to be made in the Angolan financial sector could have a positive effect of growth of up to 3.5% on the country's Gross Domestic Product (GDP);

21 March 2018 **Fitch (Angola)** *Lusa* **Fitch** rating agency notes that Angola's budget deficit is expected to improve to 2.9% in 2018 and 2% 2019, from an estimated 4.3% in 2017, due to improved oil prices;

21 March 2018 **(Angola)** *Jornal De Angola* The trial of Angolan activist Rafael Marques, who has been accused of "slander and insult to a sovereignty organ", began in Luanda's Provincial Court. The accusers did not appear and the case may be dropped;

³¹ Maka Angola, 18 Dec 2017.

³² Jornal De Angola 6 Mar 2018

³³ Jornal De Angola 6 Mar 2018

³⁴ Maka Angola 18 Dec 2017

³⁵ Jornal De Angola 6 Mar 2018

- 21 March 2018 **(Kigali)(Rwanda)** *Jornal De Angola* President João Lourenço arrives in Kigali to take part in the 10th Extraordinary Summit of Heads of State of the **African Union**, which will proclaim the Continental Free Trade Zone.
- 19 March 2018 **(Russian Federation)** *Angop* The Russian Federation is to increase bilateral business with Angola including enhanced joint mineral exploration and debt reduction. Seven agreements are to be signed later this year;
- 19 March 2018 **(UK)** *Reuters* Britain's National Crime agency unfreezes \$500m seized as a suspect transfer to UK, for return to Angola;
- 17 March 2018 **(Angola)** *Jornal de Angola* President Lourenço denies split in the MPLA over dos Santos' future;
- 17 March 2018 **(Angola)** *Jornal de Angola* Comité Central do Movimento Popular de Libertação de Angola rejects Jose Eduardo dos Santos' bid to delay his resignation from MPLA;
- 16 March 2018 **(Angola)** *Reuters*. Former **Banco Nacional de Angola** head Valter Filipe charged in relation to \$500m fraud;
- 16 March 2018 **(Angola)** *Lusa* Trafigura loses its monopoly of gasoline supplies to Angola, to Glencore and Total Oil Trading, following a public tender;
- 15 March 2018 **(Angola)** *Diario da Republica* Angola creates new anti-corruption Directorate.
- 15 March 2018 **(Boston)** *Angop* Angola is among the countries on the African continent that has benefited from the largest share of funding from **Chinese** public banks, receiving nearly \$9 billion since 2000, according to a study by **Boston University**;
- 8 March 2018 **(Kinshasa)** *Angop* Angola deports more than 500 DRC nationals to Kasai, despite war conditions, according to UNHCR, and is asked to desist from further forcible deportations;
- 6 March 2018 **(Angola)** *Jornal de Angola*. PGA announces inquiries into the irregular transfer to **Dubai** from Sonangol of \$38m, by Isabel dos Santos;
- 6 March 2018 **(Angola)** *Jornal de Angola*. Isabel Dos Santos denies accusations of an illegal transfer of funds from Sonangol and states she will take all necessary measures to protect her good name;
- 3 March 2018 **(Angola)** *Angop* The **Russian** foreign minister, **Serguey Lavrov**, arrives in **Luanda** to discuss ways to strengthen bilateral relations with Angola;
- 3 March 2018 **(Angola)** *Angop* **South African** President **Cyril Ramaphosa** arrives in Angola on his first foreign trip as head of state and holds consultative meeting with President João Lourenço;
- 1 March 2018 **(Angola)** *Jornal de Angola*. Sonangol announces \$10 billion capital injection by the state.